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MTRB Employer Bulletin

Number 7 ■ December 2004

You're not imagining the increase in workload: Together, we processed a record number of retirements in 2003–2004

Our projections indicate that record levels will continue for the next five years

In the 2003–2004 school year, the MTRB set a record for benefit applications received and processed: 3,507 teachers retired during the 12-month period ending September 30, 2004. This is an 86 percent increase above the number of retirements in the 1999–2000 school year, the last year before the advent of *RetirementPlus*. Projections indicate that this present trend will continue at least through the next five years.

In the past year, *RetirementPlus* benefit

applications surpassed regular superannuation retirements, comprising 65 percent of the total. During the preceding three years, *RetirementPlus* cases accounted for 54 percent, 55 percent and 57 percent of overall retirements. This has a substantial effect on the demand placed on staff. *RetirementPlus* calculations are complex because they usually involve accelerated payment agreements (APAs) and additional

See **Record number of retirements**, page 2 ►

BE PREPARED

Requests for service purchase documentation are expected to increase greatly—and soon

With the higher interest rate to take effect July 1, 2005, we expect many members will apply to purchase service in the next six months—although some will actually pay **less** if they wait until after July 1, 2005 to buy

This past summer, the Massachusetts Legislature passed two bills, Chapters 279 and 280 of the Acts of 2004, that will change the rate of interest charged on service purchases made on or after July 1, 2005. The new rate will equal one-half of the pension fund's actuarial assumed rate of 8.25%. Accordingly, beginning on July 1, 2005, all service purchases will be charged 4.125% annual interest.

Presently, the interest rate charged for service purchases is the regular interest rate credited to members' annuity savings accounts, which has ranged from the present rate of 0.6% to a high of over 9% during

the past thirty years. Thus, depending on when the service was rendered, some service purchases will be more expensive after the new interest rate takes effect, and others will be less expensive.

MTRS members who apply to purchase service before July 1, 2005 will be able to have their purchase costs calculated using the current interest rates. Since some members will fare better under the current rates, we expect that you will notice a higher than normal volume of requests to complete service purchase forms leading up to the July 1, 2005 deadline.

See **Requests for documentation**, page 2 ►

Record number of retirements

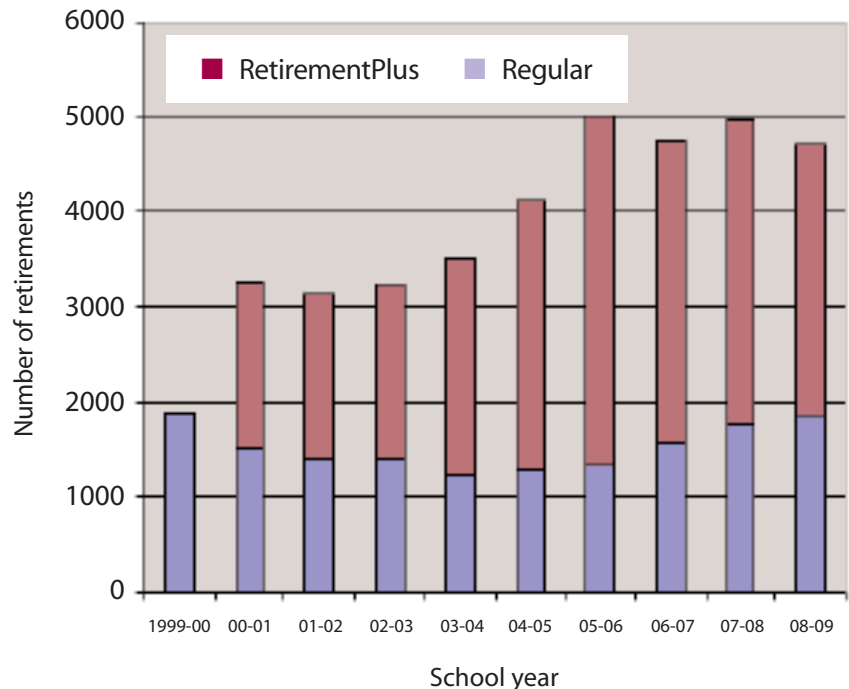
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deductions. The increased workload is encountered both at the MTRB and at the local level where APAs are initiated. While this situation will continue for another year, after June 30, 2006, the APA complication will be greatly reduced as most RetirementPlus-eligible teachers will then have satisfied the requirement to contribute at the 11 percent rate for five years.

School business administrators and MTRB staff are working together to get this difficult job done while the complexity and size of the workload increases. It would be impossible to serve our members without the cooperation and support of our counterparts in school districts across Massachusetts. Thank you for your ongoing efforts.

You provide invaluable service to us and our members throughout the year, and we are grateful for your support. ■

RetirementPlus and regular retirements, 1999–2004, with projections for 2005–2009



Requests for service documentation expected to increase

Continued from page 1

What next:

How does this impact you? And us?

- **Formal notification to our members of this legislation will begin shortly.** We will have a notice in the next edition of the *MTRB Advisor* newsletter (late January or early February) and the various employee associations are notifying their members as well.
- **We expect that once members learn of this change in the interest rate, there will be a significant increase in requests for information from you.** These members will need your assistance to document (and purchase) substitute, temporary, and part-time teaching service as well as other employment with school departments and municipalities. Because the calculation change takes effect July 1, 2005, we anticipate there will be a high demand to obtain the required documentation so members may retain the option to purchase their service using the current interest rate.
- **We expect this change will increase the already backlogged processing of these requests by our office and we are taking steps now to plan for it.** Unfortunately, even with additional resources

dedicated to this process, members may have to wait several months before we review their applications and calculate their invoices for eligible service credit simply because of the sheer volume of requests we will receive.

- **As a result of these increasing requests, the issue of lost, destroyed, or missing service history documentation will affect all of us.** In order for our office to calculate service purchases, we need complete and accurate information. We sincerely appreciate your past and continued efforts to provide the best information possible. Providing us with complete information up front will limit calls and requests for additional documentation from our office. We know how busy you are and we will do our best to limit follow up requests for information whenever possible.

Thank you again for your continued efforts to serve your current and former employees by documenting their past employment with your district. As we get closer to the changes that will take place on July 1, 2005, we will provide you with additional information on this issue. ■

UPDATES

Recent reopening of Retirement*Plus* election window resulted in 125 responses

We are now processing the returns, and will notify you and the members of the results in the next few weeks

In response to the opportunity created by Section 387 of Chapter 149 of the Acts of 2004, the MTRB received 125 petitions requesting enrollment in Retirement*Plus*. As you know, this corrective legislation created a process for certain members to appeal their exclusion from Retirement*Plus* based on evidence that they filed the necessary paperwork with their employer—but did not submit an election form to the MTRB—by the June 30, 2001 deadline.

As we're sure you know, the cut-off date for filing an application was October 1, 2004, so this one-time window of opportunity is now closed.

The review process

The MTRB Legal unit will now examine each case and make a decision based on completeness of the paperwork and whether the application meets the conditions set forth in the legislation. In all cases, the members who submitted petitions will be informed of the Board's decision within a few weeks.

When an application is approved:

- 1) The status change will be recorded in the member's account.
- 2) The MTRB Employer Reporting unit will notify the district official in charge of retirement deduction reporting (usually the payroll officer) to change the member's deduction rate to the Retirement*Plus* rate of 11 percent.
- 3) When the rate change has been confirmed at the MTRB, we will send the member a bill for the difference between his or her contributions at the old rate and at the new Retirement*Plus* rate of 11 percent. The amount due will be calculated retroactively from July 1, 2001. Members will be required to pay this sum in order for the status change to be considered final.

Do not attempt to withhold extra deductions from members' pay to make up the additional contributions due. The MTRB accounting system is not equipped to accept extra deductions of this type, and if any are received they will be treated as excess contributions and returned to the employer. Members will be informed about their payment options when notice is given.

If there are any questions about this legislation or about the status of a member's appeal, please call your MTRB Employer Reporting representative for assistance. ■

We're revising the retirement application and process

To handle the record retirement volume, we're streamlining our processes; new application to be available online February 1, 2005

As part of our ongoing efforts to streamline our procedures to process the unprecedented volume of retirements, we are changing the current retirement application form and two-step retirement process. Presently, the member first files a retirement application three to four months before the effective date of retirement, and then later receives an option selection form which he or she completes and returns to the MTRS before his or her first benefit check is issued. In the new one-step process, the member will make his or her option selection **in** the retirement application itself, and also submit tax withholding and direct deposit forms **with** the application. This change is designed to help speed the benefit calculation process as well as ensure compliance with Massachusetts General Laws, Chapter 32.

What does this mean for you?

The information you are asked to supply on the retirement application (for both regular and Retirement*Plus* retirees) will not change significantly. What is most important to understand and plan for is that the new application won't be available until February 1, and we are **not** going to accept the current version of our retirement applications for members retiring on or after June 30, 2005. The new application will be made available on our web site in downloadable format on February 1. Any member retiring **prior** to June 30, 2005 may still use the current application(s).

All members who contact our office to request a retirement application, and those Retirement*Plus* applicants who have completed (and submitted to our office) an Accelerated Payment Agreement (APA), will be put on a mailing list and we will automatically mail them the new application as soon as it is printed. After this mailing, we expect that you will receive many requests from members to complete their applications.

Thank you for your ongoing support and understanding as we take the necessary steps to ensure we are able to meet our obligation to retire thousands of our members in a timely and accurate manner! ■

Want to help us save postage and printing costs?

Tell us you'd like to receive your next copy of the Employer Bulletin via e-mail only!

Currently, we send the Bulletin to our employer representatives via e-mail and US mail. However, in an effort to save costs, we're asking those readers who can do without the printed copy to notify us that they'd be happy to receive only the e-mailed version.

If you're OK with receiving the e-mailed version only, please send an e-mail to us at empsup@trb.state.ma.us, and say, "Yes, I'd like to help save costs. Send me the e-mailed Bulletin only," and we'll send the next issue right to your desktop—with our thanks!

FROM THE EMP SUP@TRB.STATE.MA.US INBOX

Q: Are substitute teachers eligible for enrollment in the MTRS?

A This is a common question, and, generally, substitute teachers are not eligible to enroll in the MTRS.

In most cases, they are temporary employees who do not meet one or more of the membership eligibility criteria: they usually are not covered by a contract or the teachers' collective bargaining agreement; and, they are often not required to be certified. Substitutes are customarily employed on a day-by-day basis, so it cannot be established that they meet the "50 percent of full-time" employment requirement.

These four factors:

- ✓ certification,
- ✓ employment in a position that requires certification,
- ✓ the presence of an employment contract and
- ✓ not less than half-time service,

comprise the test for eligibility. All four requirements must be met to enroll in the MTRS.

Like day-to-day substitutes, "permanent" substitutes recruited by school districts to be continually available to teach on an as-needed basis are also not eligible to enroll in the MTRS, even when circumstances develop in which they are called to work every day. There are however, situations when substitute teachers are contracted to work every day for a specified time and rate. These teachers are long-term

substitutes hired either to replace regular teachers for a pre-determined period, or to report to school everyday to perform either substitute teaching or some other duty such as lunch room or study hall monitor if there are no regular teachers absent. These teachers report to work without being called and are continuously working.

A long-term substitute may be eligible for membership if he or she meets all of the eligibility criteria: she must be certified; she must be serving in a position that requires certification; she must be employed at least half-time; and, she must be covered by a contract. The deciding factor in deciding whether to enroll a long-term substitute is usually the contract requirement. If the teacher is covered by the collective bargaining agreement, that condition is satisfied. If not, there must be an individual contract that deals with the terms of employment for the particular teacher. If there is no contract, the long-term substitute is not eligible for membership in the MTRS. Consult your school counsel for assistance with the wording of contract documents.

Finally, remember that when there are questions about eligibility for membership or any MTRB issue, the Employer Reporting unit is ready to assist. ■

Do you have a question about enrolling a member, withholding retirement contributions, establishing contribution rates or submitting payroll deductions? If so, please submit it to us at empsup@trb.state.ma.us and we'll reply via e-mail. We'll publish the Q&A that we think might be helpful to your colleagues in our Employer Bulletin.

RE M I N D E R

Be sure to provide new hires as of January 1, 2005 with Social Security's Form 1945, now available online

As noted at our employer training programs this past summer, the Social Security Protection Act of 2004 (Public Law 108-203) requires state and local employers who hire individuals for non-Social Security covered positions on or after January 1, 2005 to provide these new hires with Form 1945. This notice explains the possible reduction of the employee's future Social Security benefit because she is taking a non-Social Security position; the new hire must sign the notice, and then you must send it to the MTRB.

To obtain the form as well as more information on the notice itself, please visit Social Security's web site at www.socialsecurity.gov/form1945. ■

U P D A T E

Our "basic training" courses for new payroll administrators have sold out—but we'll schedule more!

We're very happy to report that our first two "basic training" courses for new payroll administrators were fully booked within two days of being announced and, as a result, we added a third date to accommodate the demand for the program in Boston. This half-day program is for payroll officers, business managers, treasurers and other personnel with less than one year on the job and is devoted exclusively to the process of retirement administration.

We are looking forward to getting feedback on this new seminar, and will keep you posted on future offerings of this program. Thank you for your interest in learning more about our processes! ■